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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
RECEIVED
FEB 28 2017
SECURITIES AND EXCHANGE COMMISSION
REGISTRATION BRANCH

FACING PAGE

Information Required of Brokers and Dealers, Registrant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Carolina Financial Securities, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

100 Elks Club Rd.

(No. and Street)

Brevard

NC

28712

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Nicholas Craig Gilmore

(828) 393-0088

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Goldman & Company CPAs PC

(Name - if individual, state last, first, middle name)

316 Alexander St., Ste. 4

Marietta

GA

30060

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

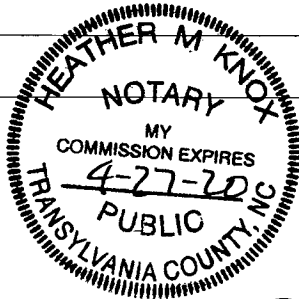
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Nicholas Craig Gilmore, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carolina Financial Securities, LLC, as of December 31, 20 16, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



N. C. Gilmore
Signature
Financial & Operations Principal
Title

Heather M. Knox
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

CAROLINA FINANCIAL SECURITIES, LLC

Brevard, North Carolina

Financial Statements with Supplemental Information
And Independent Registered Auditors' Report

Carolina Financial Securities, LLC

As of December 31, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
Carolina Financial Securities, LLC

We have audited the accompanying statement of financial condition of Carolina Financial Securities, LLC as of December 31, 2016, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 and the related notes to the financial statement. Carolina Financial Securities, LLC management is responsible for this financial statement. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial condition of Carolina Financial Securities, LLC as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.



Marietta, Georgia
February 27, 2017

goldman
SACHS

Statement of Financial Position

December 31, 2016

Assets

Current assets

Cash and cash equivalents	\$	175,019
Accounts receivable, net of allowance of 114,529		<u>204,948</u>

Total current assets		<u>379,967</u>
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Property and equipment, net		52,321
Security Deposit		3,021
Investments		0

Total assets	\$	<u>435,309</u>
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Liabilities and Members' Equity

Current liabilities

Accounts payable	\$	14,045
Commissions payable		97,760
Preferred distributions payable		2,400
Expense prepaid by client		6,149
Accrued expenses		<u>11,693</u>

Total current liabilities		132,047
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Members' equity		303,262
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Total liabilities and members' equity	\$	<u>435,309</u>
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The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements**NOTE A - SIGNIFICANT ACCOUNTING POLICIES****Nature of Operations**

Carolina Financial Securities, LLC, is a broker/dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company was organized under the laws of North Carolina in 1997, and conducts its operations in Brevard, North Carolina. The Company is licensed in 29 states. The Company provides advice and assistance to clients regarding mergers and acquisitions, recapitalizations, private capital placement, private equity investments and other financial assignments.

The Company operated pursuant to the (k)(2)(i) exemptive provisions of SEC Rule 15c3-3 and does not hold clients' funds or securities. The Company is registered according to the \$5,000 net capital provisions of SEC Rule 15c3-1.

Limited Liability Company / Income Taxes

The Company files its income tax return on the accrual basis as a partnership for federal and state income tax purposes. As such, the Company does not pay income taxes, as any income or loss will be included in the tax returns of the individual members. Accordingly, no provision is made for income taxes in the financial statements. The Company does not believe that there are any material uncertain tax positions and accordingly, it will not recognize any liability for unrecognized tax benefits.

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Company considers all highly liquid unrestricted investments with maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Property, Improvements and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major renewals and improvements are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of the assets, are expensed currently. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and resulting gains and losses are included in the Statement of Operations. Depreciation expense for 2016 was \$6,918.

Revenue Recognition

The Company's revenues are generated primarily through providing merger and acquisition and private financing placement-related services. The Company receives non-refundable placement fees in most transactions. Placement fees are success-based income, and therefore the Company recognizes placement revenue upon receipt.

Other income relates primarily to billable transaction costs. Billable transaction costs include travel, other out-of-pocket expenses, reproduction and other transaction costs incurred by the Company that are billed to customers under the terms of agreements in place with those customers. These costs are expensed as incurred and billed in accordance with agree-upon terms. The Company is evaluating new revenue recognition standards for brokers and dealers and will implement as required.

Advertising Expenses

Costs associated with advertising are charged to expense as incurred. Advertising expenses approximated \$5,757 for 2016.

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:

Interest	\$142
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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - MEMBERS' EQUITY

The Company has two classes of member equity interests; Common Interest and Preferred Redeemable Interests.

Common Interests in the equity of the Company contain all voting privileges and have no special preference regarding Company distributions or treatment upon Company liquidation.

Preferred Redeemable Interests hold no voting rights, contain a preferred cumulative distribution clause of 12% of the member's total investment (to be paid quarterly), and have preference upon Company liquidation. Preferred Redeemable Interests are redeemable at the Company's preference, generally after a specified date (dictated by each term sheet signed by the investors) and after the payment of all accrued preferred distributions.

NOTE C - RELATED PARTY TRANSACTIONS

The Company advanced funds during prior years to a member, in the amount of \$14,529, with no specified interest rate and no specific terms of repayment. An allowance for doubtful accounts has been established to fully reserve the entire amount of the advanced funds.

The Company entered into a lease agreement with BPOE Investments, LLC. BPOE Investments, LLC is a related party and owned by the majority member of Carolina Financial Group, LLC. The lease agreement is dated September 23, 2014 and expires on November 1, 2019.

The Company entered into an expense sharing agreement with Carolina Financial Group, LLC, a related party, for their pro-rata portion of payroll related expenses, rent, utilities, administration, etc. Total fees charged for the year ended December 31, 2016 were \$1,082,751 and were included in their respective expense accounts in the financial statements. The Company owed Carolina Financial Group \$7,997 at December 31, 2016 and is included in the Accounts Payable on the Statement of Financial Position. The Company paid member distributions of \$12,730 in 2016.

NOTE D - OPERATING LEASES

The Company leases office space under several lease agreements with varying amounts and terms. The combined future minimum lease payments required under these leases are as follows:

Year Ending December 31	Amount
2017	\$ 66,968
2018	54,273
2019	24,000
Total	<u>\$ 145,241</u>

The Company leases office equipment under a lease agreement dated August 14, 2015. The future minimum lease payments under this lease is as follows:

Year Ending December 31	Amount
2017	\$ 3,526
2018	3,526
2019	2,057
Total	<u>\$ 9,109</u>

NOTE E - NET CAPITAL REQUIREMENTS

Carolina Financial Securities, LLC is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1).

At December 31, 2016, the Company had net capital as defined of \$114,686. At the same date, the Company's ratio of aggregate indebtedness to net capital was 1.15 to 1. Accordingly, the Company was in compliance with the net capital requirements.

NOTE F - CREDIT RISKS AND OTHER CONCENTRATIONS

Carolina Financial Securities, LLC places its cash and cash equivalents on deposit with a North Carolina financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE G - CONTINGENCIES

The Company is currently the subject of a regulatory complaint related to a private placement investment of \$2,450,000 facilitated by the Company in which the issuer was conducting a fraud. The regulatory hearing related to the complaint concluded in July of 2016, and the Company is now awaiting a verdict. The Company is of the belief that the complaint is without merit, and that there is a high likelihood of a favorable ruling. To date, investors have received a return of nearly 60% of their invested capital as a result of the Company's recovery efforts, and there is a high likelihood of substantial additional recoveries. In addition, related to the same offering, one investor took the Company to arbitration in 2016. In arbitration, the Company was completely exonerated, and the arbitration panel ordered the Company's record to be expunged.

Because of the belief that the probability of loss to the firm related to the above matter is remote, and the amount of potential loss is unknown, the Company has not recorded any contingent liabilities related to the matter.

NOTE H - SUBSEQUENT EVENTS

The Company evaluated transactions occurring after December 31, 2016 in accordance with ASC 855 - *Subsequent Events* through February 27, 2017, which is the date the financial statements were available for issuance. Based on this evaluation, no disclosures or adjustments were made to the financial statements.